

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY BUCHAREST IMMEDIATE

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E.O. 11652: N/A

TAGS: ETRD, RO

SUBJECT: IMPORT RESTRAINTS ON SUITS

REF: (A) GENEVA 9619 (B) BUCHAREST 7243 (C) STATE 2790831

1. DEPARTMENT PLANS TO CALL IN ROMANIAN EMBASSY ECONOMIC
COUNSELOR BESTELIU ON WEDNESDAY AFTERNOON (DECEMBER 15)
AT 3 PM TO DELIVER NOTE ON IMPORT RESTRAINTS ON SUITS,
TEXT OF WHICH APPEARS BELOW. EMBASSY IS AUTHORIZED TO
INFORM GOR OF USG ACTION AND SUPPLY APPROPRIATE OFFICIALS
WITH COPY OF NOTE, BUT REPRESENTATION SHOULD NOT TAKE PLACE
BEFORE NOTE DELIVERED IN WASHINGTON.

2. IN VIEW OF ROMANIAN INTEREST, EXPRESSED DURING THIRD
SESSION OF JOINT ECONOMIC COMMISSION, IN RECEIVING ADVANCE
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NOTICE ON POSSIBLE ANTI-DUMPING ACTIONS, DEPARTMENT AGREES
THAT POST MAY, IF IT CONSIDERS IT ADVISABLE, MENTION THE
VERY LOW UNIT PRICES FOR SUITS. EMBASSY SHOULD EXPLAIN
THAT ALTHOUGH IT IS NOT POSSIBLE TO FOREWARN ABOUT DUMPING

COMPLAINTS FILED BY AMERICAN INDUSTRY, SUCH LOW PRICES COULD

WELL RESULT IN FILING OF ANTI-DUMPING ACTIONS INITIATED BY U.S. FIRMS. EMBASSY SHOULD MAKE CLEAR, HOWEVER, THAT CURRENT ACTION IS DIRECTED NOT AT POSSIBLE DUMPING BUT RATHER AT DISRUPTION OF U.S. MARKET CAUSED BY RAPIDLY INCREASING NUMBER OF LOW-PRICED SUITS FROM ROMANIA.

3. SHOULD ROMANIAN OFFICIALS QUESTION NEED FOR U.S. ACTION UNDER ARTICLE 3 OF MFA, EMBASSY SHOULD NOTE THAT U.S. HAS SOUGHT OVER PAST SEVERAL MONTHS TO OBTAIN ASSURANCES FROM ROMANIANS NECESSARY TO AVOID RECOURSE TO ARTICLE 3. ROMANIAN GOVERNMENT'S UNRESPONSIVENESS TO U.S. MARKET DISRUPTION CONCERNS AND SHARPLY RISING TREND OF IMPORTS FROM ROMANIA PREVENT U.S. FROM DELAYING LONGER IN ITS RECOURSE TO ARTICLE 3.

4. TEXT OF NOTE FOLLOWS:

(COMPLETE STATISTICAL MATERIAL FROM ANNEX - MARKET STATEMENT - BEING POUCHED TO POST AS IT IS TOO LENGTHY TO REPRODUCE IN TELEGRAPHIC FORM. SUMMARY OF STATISTICS INCLUDED IN TEXT PRESENTED BELOW.)

BEGIN QUOTE

THE DEPARTMENT OF STATE REFERS TO THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES DONE AT GENEVA ON DECEMBER 20, 1973, HEREAFTER REFERRED TO AS THE "ARRANGEMENT", AND SPECIFICALLY TO THE MARKET DISRUPTION AND EQUITY PROVISIONS OF ARTICLE 3 OF THE ARRANGEMENT.

THE GOVERNMENT OF THE UNITED STATES OF AMERICA HAS NOTED WITH CONCERN THE SHARPLY RISING IMPORTS FROM ROMANIA IN WOOL TEXTILE CATEGORY 120 (MEN'S AND BOYS' SUITS) AND MAN-MADE FIBER TEXTILE CATEGORY 237 (SUITS, NOT KNIT). TOTAL EXPORTS IN THESE CATEGORIES TO THE UNITED STATES FROM LIMITED OFFICIAL USE
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ALL SUPPLIERS ARE CAUSING MARKET DISRUPTION AS DEFINED IN ANNEX A OF THE ARRANGEMENT IN THESE CATEGORIES. EXPORTS TO THE UNITED STATES FROM ROMANIA ARE CONTRIBUTING TO THIS MARKET DISRUPTION. THE EFFECTS OF SUCH IMPORTS ON THE UNITED STATES' MARKET, THE RECENT TRENDS OF SUCH IMPORTS FROM ROMANIA, AND A TABLE OF IMPORT AND DOMESTIC PRICE DATA ARE APPENDED AS ANNEX A WHICH IS TO BE REGARDED AS AN INTEGRAL PART OF THIS NOTE ,N CONFORMITY WITH ARTICLE 3:3 OF THE ARRANGEMENT.

IN RECOGNITION OF THE FACT THAT LOW-PRICED IMPORTS OF THE CATEGORIES OF PRODUCTS INDICATED ABOVE FROM A NUMBER OF

SOURCES HAVE CAUSED OR THREATENED TO CAUSE MARKET DISRUPTION IN THE UNITED STATES, TWELVE TEXTILE EXPORTING COUNTRIES WHICH HAVE ACCEPTED OR ACCEDED TO THE ARRANGEMENT HAVE AGREED TO LIMIT THEIR EXPORTS OF THESE CATEGORIES OF PRODUCT TO THE UNITED STATES. THEREFORE, IN ORDER TO AVOID FURTHER MARKET DISRUPTION BY IMPORTS FROM ROMANIA IN THE CATEGORIES INDICATED ABOVE AND TO INSURE EQUITABLE TREATMENT TO THOSE COUNTRIES PARTY TO THE ARRANGEMENT WHICH ARE PRESENTLY LIMITING THEIR EXPORTS IN THOSE CATEGORIES TO THE UNITED STATES, THE GOVERNMENT OF THE UNITED STATES OF AMERICA IS, AS OF THE DATE OF THIS NOTE, INVOKING ITS RIGHTS UNDER ARTICLE 3 OF THE ARRANGEMENT, AND PURSUANT TO THE PROVISIONS OF PARAGRAPH 3 OF THAT ARTICLE REQUESTS THE GOVERNMENT OF ROMANIA TO ENTER PROMPTLY INTO CONSULTATIONS WITH A VIEW TO REMOVING THE DISRUPTION.

THE GOVERNMENT OF THE UNITED STATES OF AMERICA ALSO NOTES THAT FURTHER SHARP INCREASES IN IMPORTS FROM ROMANIA DURING THE PERIOD OF THE NEXT 60 DAYS WOULD CAUSE SERIOUS MARKET DISRUPTION GIVING RISE TO DAMAGE DIFFICULT TO REPAIR. THEREFORE, PURSUANT TO PARAGRAPH 6 OF ARTICLE 3, THE GOVERNMENT OF THE UNITED STATES OF AMERICA REQUESTS THE GOVERNMENT OF ROMANIA TO COOPERATE ON AN EMERGENCY BASIS TO AVOID SUCH DAMAGE. IN THE EVENT THAT MUTUALLY SATISFACTORY INTERIM ARRANGEMENTS ARE NOT REACHED WITHIN ONE WEEK OF THE DATE OF THIS NOTE, (DECEMBER 22, 1976) THE GOVERNMENT OF THE UNITED STATES OF AMERICA, PURSUANT TO THE PROVISIONS OF ARTICLE 3:6, WILL IMPOSE TEMPORARY RESTRAINT MEASURES ON THESE CATEGORIES FOR THE LIMITED OFFICIAL USE

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TWELVE MONTH PERIOD BEGINNING DECEMBER 22, 1976 AT THE FOLLOWING LEVELS:

CATEGORY 120 - 82,500 UNITS
CATEGORY 237 - 101,000 UNITS

THESE LEVELS ARE CONSISTENT WITH THE PROVISIONS OF ARTICLE 3:6, WHICH PROVIDES THAT TEMPORARY RESTRAINT MEASURES MAY BE APPLIED AT A LEVEL HIGHER THAN THAT INDICATED IN ANNEX B, WHICH IS NOT LESS THAN THE ACTUAL LEVEL OF SUCH PRODUCTS DURING THE TWELVE MONTH PERIOD TERMINATING TWO MONTHS PRECEDING THE MONTH IN WHICH A REQUEST FOR CONSULTATION IS MADE. IN ACCORDANCE WITH THE TERMS OF PARAGRAPH 6, THESE INTERIM ARRANGEMENTS OR TEMPORARY RESTRAINT MEASURES WILL BE TAKEN WITHOUT PREJUDICE TO THE CONSULTATIONS REQUESTED ON THIS MATTER UNDER PARAGRAPH 3 OF ARTICLE 3.

WHILE THE GOVERNMENT OF THE UNITED STATES OF AMERICA REGRETS THAT IT IS NECESSARY TO INVOKE THE PROVISIONS OF

ARTICLE 3:6 OF THE ARRANGEMENT, IT WISHES TO ASSURE THE GOVERNMENT OF ROMANIA OF ITS INTERESTS IN REACHING A MUTUALLY AGREED SOLUTION TO THE PROBLEMS OF MARKET DISRUPTION AND THE EQUITY OBLIGATIONS OF THE UNITED STATES WITH RESPECT TO ITS RESTRAINED SUPPLIERS DURING THE ANTICIPATED CONSULTATIONS.

THE GOVERNMENT OF THE UNITED STATES OF AMERICA, IN ACCORDANCE WITH ARTICLE 3:3 AND 3:6 OF THE ARRANGEMENT, HAS FORWARDED A COPY OF THIS NOTE AND ITS ANNEX TO THE CHAIRMAN OF THE TEXTILES SURVEILLANCE BODY IN GEVEVA.

ANNEX A

MARKET STATEMENT - ROMANIA-DECEMBER 6, 1976

CATEGORY 120 - WOOL SUITS, NOT KNIT, MEN'S AND BOYS'

CATEGORY 237 - MAN-MADE FIBER SUITS, NOT KNIT, MEN'S AND
--- BOYS', WOMEN'S, GIRLS' AND INFANTS

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APPAREL ITEMS CONTAINED IN CATEGORY 120 INCLUDE ALL MEN'S AND BOYS' WOVEN WOOL SUITS. APPAREL ITEMS CONTAINED IN CATEGORY 237 INCLUDE ALL MEN'S AND BOYS', WOMEN'S GIRLS' AND INFANTS' WOVEN MAN-MADE FIBER SUITS.

THE WOVEN SUIT INDUSTRY IN THE UNITED STATES IS ONE OF THE IMPORT IMPACTED AREAS OF THE APPAREL INDUSTRY. THE IMPORT/PRODUCTION RATIO FOR WOVEN SUITS INCREASED FROM 1.2 PERCENT IN 1967 TO 6.0 PERCENT IN 1970 TO 10.9 PERCENT IN 1975 AND IS ESTIMATED TO BE 15 PERCENT IN 1976. FROM 1967 TO 1976, TOTAL DOMESTIC PRODUCTION DECLINED AT AN AVERAGE ANNUAL RATE OF 1.5 PERCENT AND TOTAL IMPORTS INCREASED AT AN AVERAGE ANNUAL RATE OF 30 PERCENT. DOMESTIC PRODUCTION IS ESTIMATED TO HAVE INCREASED ONLY 3 PERCENT IN 1976 FROM THE LEVEL OF 1975; IMPORTS INCREASED 40 PERCENT.

CATEGORY 120 - WOOL SUITS, NOT KNIT, MEN'S AND BOYS'

THE IMPORT/PRODUCTION RATIO FOR WOOL SUITS HAS INCREASED FROM 1.5 PERCENT IN 1967 TO 5.8 PERCENT IN 1970 TO 20.6 PERCENT IN 1975 AND IS ESTIMATED AT 27 PERCENT IN 1976. DOMESTIC PRODUCTION DECLINED AT AN AVERAGE ANNUAL RATE OF 11.6 PERCENT FROM 1967 TO 1976; IMPORTS INCREASED AT AN AVERAGE ANNUAL RATE OF 22 PERCENT.

IMPORTS: TOTAL U.S. IMPORTS OF MEN'S AND BOYS' WOVEN WOOL SUITS INCREASED FROM 20,000 DOZEN IN 1967 TO 83,000 DOZEN IN 1975 TO 112,000 DOZEN IN THE YEAR ENDING SEPTEMBER 1976.

ROMANIA HAS BECOME THE FOURTH LARGEST SUPPLIER OF MEN'S AND BOYS' WOVEN WOOL SUITS TO THE UNITED STATES. IMPORTS INCREASED FROM 62 DOZEN IN 1975 TO 6,822 DOZEN IN THE YEAR ENDING SEPTEMBER 1976. IN OCTOBER, 1976, IMPORTS FROM ROMANIA WERE 3,460 DOZEN, OR 50 PERCENT OF THE LEVEL FOR THE ENTIRE PRECEDING 12 MONTH PERIOD. IMPORTS FROM ROMANIA WERE 592 DOZEN AND 1,218 DOZEN IN 1973 AND 1974, RESPECTIVELY. THERE WERE NO IMPORTS OF THESE ITEMS FROM ROMANIA IN 1972.

ALL OF THE WOOL SUITS IMPORTED FROM ROMANIA ARE INCLUDED IN TSUSA NO. 380.6650, - NOT ORNAMENTED, VALUED OVER LIMITED OFFICIAL USE
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4 DOLLARS PER POUND.

THE MAJOR SUPPLIERS OF LOW PRICE MEN'S AND BOYS' WOVEN WOOL SUITS -- KOREAN REPUBLIC AND COLOMBIA -- CONTROL THEIR EXPORTS TO THE UNITED STATES.

PRICES:

THE CIF VALUE, INCLUDING IMPORT DUTIES OF IMPORTS OF WOOL SUITS FROM ROMANIA IS LESS THAN HALF OF THE DOMESTIC PRICE FOR SIMILAR SUITS AND IS BELOW THE VALUE OF THESE IMPORTS FROM ALL OF THE OTHER MAJOR SUPPLIERS.

DOMESTIC PRODUCTION:

U.S. DOMESTIC PRODUCTION OF MEN'S AND BOYS' WOVEN WOOL SUITS DECLINED FROM 1,368 THOUSAND DOZEN IN 1967 TO 1,188 THOUSAND DOZEN IN 1970 TO 402 THOUSAND DOZEN IN 1975. PRODUCTION IN 1976 IS ESTIMATED TO HAVE INCREASED BY ONLY 48 THOUSAND DOZEN TO 450 THOUSAND DOZEN FROM THE 1975 LEVEL. MEN'S SUITS ACCOUNT FOR 97 PERCENT OF DOMESTIC PRODUCTION IN THIS CATEGORY AND BOYS' SUITS MAKE UP THE REMAINING 3 PERCENT.

CATEGORY 237 - MAN-MADE FIBER SUITS, NOT KNIT, MEN'S AND -- BOYS', WOMEN'S, GIRLS' AND INFANTS

THE IMPORT/PRODUCTION RATIO FOR MAN-MADE FIBER WOVEN SUITS HAS INCREASED FROM LESS THAN ONE PERCENT IN 1967 TO 6.3 PERCENT IN 1970 TO 8.1 IN 1975, AND IS ESTIMATED AT 11 PERCENT IN 1976. DOMESTIC PRODUCTION INCREASED AT AN AVERAGE ANNUAL RATE OF 6.6 PERCENT FROM 1967 TO 1976; IMPORTS INCREASED AT AN AVERAGE ANNUAL RATE OF 44 PERCENT IN 1975-76, THE ONLY YEAR FOR WHICH A BREAKOUT IS AVAILABLE, 22 PERCENT OF U.S. PRODUCTION IN THIS CATEGORY WAS LEISURE SUITS, WHICH ARE NOT MADE BY THE DOMESTIC

STRUCTURED SUIT INDUSTRY.

IMPORTS:

TOTAL U.S. IMPORTS OF MAN-MADE FIBER WOVEN SUITS HAS
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INCREASED FROM 6,000 DOZEN IN 1967 TO 117,000 DOZEN IN
1975 TO 147,000 DOZEN IN THE YEAR ENDING SEPTEMBER 1976.

IMPORTS OF MAN-MADE FIBER WOVEN SUITS FROM ROMANIA WERE
8,357 DOZEN IN THE YEAR ENDING SEPTEMBER 1976, MAKING
; ,MITED OFFICIAL USE
ROMANIA THE FIFTH LARGEST SUPPLIER OF THESE ITEMS TO THE
UNITED STATES. FOR THE MONTH OF OCTOBER 1976, IMPORTS
FROM ROMANIA WERE 4,549 DOZEN OR OVER 50 PERCENT OF THE
LEVEL FOR THE ENTIRE PRECEDING 12 MONTH PERIOD.

ALL OF THE MAN-MADE FIBER WOVEN SUITS CURRENTLY IMPORTED
FROM ROMANIA ARE NOT ORNAMENTED; 87 PERCENT ARE MEN'S
AND BOYS' AND 13 PERCENT ARE WOMEN'S, GIRLS' AND INFANTS'.

THE MAJOR SUPPLIERS OF LOW PRICE MAN-MADE FIBER WOVEN SUITS
THE KOREAN REPUBLIC, HONG KONG, THE PHILIPPINES AND THE
REPUBLIC OF CHINA AND HAITI -- CONTROL THEIR EXPORTS
TO THE UNITED STATES.

PRICES:

THE CIF VALUE, INCLUDING IMPORT DUTIES, OF IMPORTS OF
MAN-MADE FIBER SUITS FROM ROMANIA IS LESS THAN HALF
THE DOMESTIC PRICE FOR SIMILAR SUITS AND IS BELOW THE
VALUE OF THESE IMPORTS FROM ALL OF THE OTHER MAJOR
SUPPLIERS.

DOMESTIC PRODUCTION:

U.S. DOMESTIC PRODUCTION OF MAN-MADE FIBER WOVEN SUITS
INCREASED FROM 811 THOUSAND DOZEN IN 1967 TO 1,438
THOUSAND DOZEN IN 1975. PRODUCTION IN 1976 SHOWS ONLY
A VERY SLIGHT INCREASE OVER 1975 LEVELS. PRODUCTION
IS ABOUT EVENLY DIVIDED BETWEEN MEN'S AND BOYS' AND
WOMEN'S, GIRLS' AND INFANTS' SUITS.

EMPLOYMENT:

TOTAL EMPLOYMENT IN THE MEN'S AND BOYS', WOMEN'S AND MISSES
SUITS AND COAT INDUSTRIES DECLINED FROM 166,000 IN 1974
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TO 145,000 IN 1975, A DROP OF 13 PERCENT. EMPLOYMENT IN
1976 IS AT ABOUT THE SAME LEVEL AS IN 1975.

END QUOTE.

5. DEPARTMENT WILL INFORM EMBASSY BY IMMEDIATE CABLE WHEN
NOTE HAS BEEN PRESENTED. KISSINGER

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